Interim Statement
Q3 2016/2017

HEIDELBERG

INTERIM STATEMENT FOR THE THIRD QUARTER OF 2016/2017

Figures

- Incoming orders after nine months around 4.5 percent above previous year at approximately € 2 billion; order backlog at high level of € 739 million as of December 31, 2016
- Sales continue to rise over course of financial year, still down on previous year at € 1,680 million after three quarters
- EBITDA excluding special items € 94 million
- Result after taxes € – 10 million
- Free cash flow improves to € – 10 million after nine months
- Net debt still at low level of € 282 million; leverage below target of 2
- Focus remains on annual and medium-term targets

Facts

- Heidelberg still successfully pressing ahead with digitization of the industry: Numerous customers improving business and production processes with Heidelberg's "Push to Stop" philosophy presented at drupa
- Series launch of "Labelfire" digital printing machine for growing label market: After numerous orders from Europe and Australia regions now sales success on American market as well
- Wiesloch-Walldorf site developing into production center for digital printing presses
- Starting signal for new development center: Baden-Württemberg Minister for Science, Research and Art, Theresia Bauer (Greens), gives official starting shot for the world's most modern development facility for the printing industry at the Wiesloch-Walldorf production site
- A further step into the digital future: With the development of a communications infrastructure geared towards digital business models, the company is advancing its realignment from only selling machinery to being a service company for customers
- Heidelberg reorganizes its Management Board: Rainer Hundsdörfer succeeds Dr. Gerold Linzbach as CEO as of November 14, 2016, Dr. Ulrich Hermann to drive expansion of digital business models as new member of the Management Board; Harald Weimer leaves the Management Board
- Moody's raises outlook to "positive", confirms B3 rating

Key figures at a glance

Figures in € millions	Q1 to Q3		Q3	
	2015/2016	**2016/2017**	2015/2016	**2016/2017**
Incoming orders	1,904	1,990	581	582
Order backlog	586	739	586	739
Net sales	1,802	1,680	640	608
EBITDA [1]	119	94	40	49
in percent of sales	6.6	5.6	6.2	8.0
Result of operating activities [2]	65	43	22	32
Special items	–24	–8	–2	–2
Financial result	–42	–42	–12	–13
Net result before taxes	0	–7	8	17
Net result after taxes	–7	–10	7	18
Equity	338	246	338	246
Net debt [3]	282	282	282	282
Leverage [4]	1.2	1.7	1.2	1.7
Cash flow	45	50	22	35
Free cash flow	–37	–10	–7	–10
Earnings per share in €	–0.03	–0.04	0.02	0.07
Number of employees at the end of quarter (excluding trainees)	11,619	11,480	11,619	11,480

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding special items
[2] Excluding special items
[3] Net total of financial liabilities and cash and cash equivalents and current securities
[4] Ratio of net debt to EBITDA excluding special items for the last four quarters

Overall assessment of business development

Heidelberg started the financial year 2016/2017 with a successful appearance at drupa in Düsseldorf. Thanks to numerous deals concluded during and after the trade show, incoming orders were 4.5 percent above the previous year's figure after three quarters (April 1 to December 31, 2016). The EMEA region in particular saw a significant increase in orders. The order backlog is at a high level of € 739 million (March 31, 2016: € 460 million), thereby providing a solid foundation for achieving the targets for the current financial year. Sales continued to rise over the course of the financial year, but as expected were down on the prior-year figure of € 1,802 million after nine months at € 1,680 million due to longer delivery times.

Under its drupa motto "Simply Smart", Heidelberg continued to press ahead with the digitization of the industry and its own strategic reorientation. The new products and solutions led to a high level of demand across the entire product range for industrial print production and digitization. Heidelberg's digital printing portfolio, which was presented to the wider public for the first time under the name "Fire", attracted a great deal of attention from those attending the trade show and enjoyed successful sales in all product categories. At the Wiesloch-Walldorf production site, the digital label printing machine successfully went into series production.

Heidelberg is also taking advantage of the opportunities of digitization to initiate a paradigm shift in industrial print production using sheetfed offset printing presses with the concept of autonomous printing. All in all, customer investment behavior served to confirm the shift within the industry towards increased automation and productivity as well as software-based integration. Numerous customers are now improving their business and production processes with Heidelberg's "Push to Stop" philosophy.

The backbone of the new services is the Heidelberg Cloud, which is based on the recording and analysis of more than 10,000 networked printing presses and 15,000 Prinect software connections. Heidelberg uses this to offer customers preventive service programs for increasing printing press availability and improving the productivity of their entire print shop. Heidelberg's digitization strategy and the innovative software applications "Heidelberg Assistant" and "View2Connect" were acknowledged by IDG Business Media and Dimension Data Deutschland in the form of the "Digital Leader Award 2016".

In November Heidelberg fired the starting shot for the world's most modern development facility for the printing industry at the Wiesloch-Walldorf production site. By 2018, a state-of-the-art and future-oriented work environment that promotes interdisciplinary, multi-area development processes will be created for around 1,000 jobs.

Net sales and results of operations
Interim consolidated income statement

Figures in € millions	Q1 to Q3 2015/2016	**Q1 to Q3 2016/2017**
Net sales	1,802	1,680
Change in inventories/other own work capitalized	49	136
Total operating performance	**1,851**	**1,815**
EBITDA excluding special items	119	94
Result of operating activities excluding special items	**65**	**43**
Special items	–24	–8
Financial result	**–42**	**–42**
Net result before taxes	**0**	**–7**
Taxes on income	6	3
Net result after taxes	**–7**	**–10**

- SALES continued to rise over the course of the financial year. After three quarters, they are still down on the previous year's figure at € 1,680 million; a reduced order backlog ahead of the drupa trade show at the start of the financial year had the anticipated impact on sales in the first quarter.
- In line with planning, a large number of orders for innovative drupa printing presses with longer delivery times will be delivered in the fourth quarter, while the series launch of these products will lead to sales by the end of the financial year. Total OPERATING PERFORMANCE has risen accordingly over the course of the 2016/2017 financial year to date.
- Earnings for the first three quarters of 2016/2017 were adversely affected by the lack of profit contributions due to the lower sales volume, trade show costs of around € 10 million and higher staff costs as a result of collective wage and working time increases.
- The previous year's earnings figure contained a positive effect of around € 19 million from the reversal in profit or loss of the negative difference from the first-time consolidation of the acquisition of the European Printing Systems Group (PSG).
- This meant that EBITDA excluding special items totaled € 94 million (previous year: € 119 million), while EBIT excluding special items amounted to € 43 million (previous year: € 65 million).
- Taking into account taxes on income, the NET RESULT AFTER TAXES was on a par with the previous year's level at € –10 million after three quarters of the 2016/2017 financial year (previous year: € –7 million).
- The NET RESULT AFTER TAXES increased significantly from € 7 million in the same period of the previous year to € 18 million in the third quarter of the current financial year.

Net assets

Assets

Figures in € millions	31-Mar-2016	**31-Dec-2016**
Non-current assets	724	727
Inventories	607	727
Trade receivables	361	299
Receivables from sales financing	65	56
Cash and cash equivalents	215	131
Other assets	230	215
Total assets	**2,202**	**2,155**

- Total assets as of December 31, 2016 were lower than at March 31, 2016 due to the repayment in full of the 2011 corporate bond and the reduction in trade receivables.
- As expected, inventories have increased since March 31, 2016 on account of the high order backlog.
- Receivables from sales financing declined again due to the repayments received and refinancing on the part of customers.
- Thanks to systematic asset and net working capital management, the company reduced its net working capital as of December 31, 2016 to € 646 million compared to the end of the financial year (March 31, 2016: € 691 million; December 31, 2015: € 669 million).

Equity and liabilities

Figures in € millions	31-Mar-2016	**31-Dec-2016**
Equity	287	246
Provisions	930	924
of which: pension provisions	534	538
Financial liabilities	496	412
Trade payables	179	212
Other equity and liabilities	310	361
Total equity and liabilities	**2,202**	**2,155**

- Due to the net result after taxes and changes in the discount rates, equity is down compared to the end of the 2015/2016 financial year, amounting to € 246 million as of the end of the reporting period.
- This resulted in an equity ratio of around 11.4 percent as of December 31, 2016.
- The domestic pension discount rate proved volatile in the current 2016/2017 financial year as well. After 2.4 percent as of the end of the 2015/2016 financial year on March 31, 2016 and 1.7 percent as of the end of the second quarter of 2016/2017, it was 2.2 percent as of December 31, 2016.
- Financial liabilities declined substantially following the repayment in full of the 2011 corporate bond. The first tranche of the development loan agreed with the European Investment Bank in March 2016 was drawn down in the first quarter of 2016/2017 in the amount of around € 50 million.
- Net debt, which currently amounts to € 282 million, is financed by basic funding beyond 2022.
- Leverage (the ratio of net debt to EBITDA excluding special items for the last four quarters) was again maintained at below the target level of 2.

Financial position

Interim consolidated statement of cash flows

Figures in € millions	Q1 to Q3 2015/2016	**Q1 to Q3 2016/2017**
Net result after taxes	– 7	– 10
Cash flow	45	50
Other operating changes	– 42	4
of which: net working capital	71	53
of which: receivables from sales financing	12	10
of which: other	– 124	– 59
Cash used in investing activities	– 40	– 64
Free cash flow	– 37	– 10
in percent of sales	– 2.1	– 0.6

- Essentially as a result of a fixed-interest investment, cash flow from investments rose to € 64 million (previous year: € 40 million).
- Despite payments for portfolio optimization of around € 18 million in the first nine months and prepayment penalties for the early repayment of the 2011 corporate bond, at € – 10 million the free cash flow after three quarters was only slightly negative and was significantly improved as against the same period of the previous year (€ – 37 million).
- The three pillars of our financing portfolio – capital market instruments (corporate bonds and convertible bonds), the syndicated credit line plus other instruments and promotional loans – are well balanced.
- To finance our new development center at the Wiesloch-Walldorf production site, KfW granted subsidized funding with a term of up to eight years under "Energy Efficiency Program – Energy Efficient Construction and Renovation". The funding will be disbursed over the course of construction.
- Heidelberg's credit facilities, which currently total around € 730 million, have balanced diversification and a balanced maturity structure to 2024.
- In July 2016, Moody's raised its rating outlook from "stable" to "positive" and confirmed its B3 rating. This move was prompted by Heidelberg's improved key financial indicators and more stable business model.

Segments
Segment key figures

Figures in € millions	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		**Heidelberg Group**	
	Q1 to Q3 2015/16	**Q1 to Q3 2016/17**	Q1 to Q3 2015/16	**Q1 to Q3 2016/17**	Q1 to Q3 2015/16	**Q1 to Q3 2016/17**	Q1 to Q3 2015/16	**Q1 to Q3 2016/17**
Incoming orders	1,037	1,091	863	896	4	3	1,904	1,990
Sales	932	833	866	843	4	3	1,802	1,680
EBITDA [1]	24	19	93	73	2	2	119	94
EBIT [2]	– 14	– 17	78	58	2	2	65	43

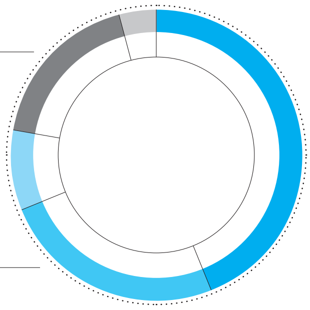
[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding special items
[2] Excluding special items

- New printing press orders on the back of the trade show led to an increase in incoming orders in the Heidelberg Equipment segment in particular, but the Heidelberg Services segment also enjoyed growth.
- As a result of sales developments, the two most important segments, Heidelberg Equipment and Heidelberg Services, are still below their target margins after three quarters (HDE target: EBITDA margin of 4 to 6 percent; HDS target: EBITDA margin of 9 to 11 percent).
- In the same period of the previous year, the segment results included a proportionate positive effect from the reversal in profit or loss of the negative difference from the first-time consolidation of the acquisition of the European Printing Systems Group totaling around € 19 million.

Regions
Sales by region

Figures in € millions	Q1 to Q3 2015/2016	**Q1 to Q3 2016/2017**
EMEA	744	746
Asia/Pacific	524	426
Eastern Europe	188	151
North America	278	296
South America	68	61
Heidelberg Group	**1,802**	**1,680**

Q1 to Q3 2016/2017
Share of Heidelberg Group sales (in parentheses: previous year)



- EMEA still the strongest region with share of sales of around 44 percent.
- The slowdown in growth momentum in China is reflected in falling incoming orders and sales. Asia/Pacific region’s share of sales drops to around 25 percent.

Conditions and outlook

At the start of the reporting period, the United Kingdom voted to leave the European Union. The extent to which the consequences of this decision will adversely affect growth in the British economy and the EU as a whole is not yet foreseeable. The investment behavior of British customers at the drupa trade show, which took place prior to the referendum, was encouraging. The impact on the company’s future development cannot be assessed at present. Likewise, there is uncertainty on the American market regarding the development of economic policy under the new government. The GDP is cautiously optimistic for 2017.

Thanks to the solid incoming orders and the rise in the order backlog, Heidelberg remains focused on its targets for 2016/2017. Although planned acquisitions have not been implemented yet, the company is still striving for marginal sales growth in light of a strong final quarter of the year. Despite the inputs for the accelerated expansion of the digital and the service business, it also expects to achieve an EBITDA margin before special items on a par with the previous year’s level in the 2016/2017 financial year. At the same time, the financial result will improve further on account of declining interest expenses. Thus, Heidelberg is still aiming for a moderate year-on-year increase in its net result after taxes for the year as a whole.

Financial section
Interim consolidated income statement

Figures in € millions	1-Apr-2015 to 31-Dec-2015	**1-Apr-2016 to 31-Dec-2016**	1-Oct-2015 to 31-Dec-2015	**1-Oct-2016 to 31-Dec-2016**
Net sales	1,802	1,680	640	608
Change in inventories	33	93	−14	10
Other own work capitalized	16	42	9	10
Total operating performance	**1,851**	**1,815**	**635**	**628**
Other operating income	72	61	16	18
Cost of materials	883	836	297	289
Staff costs	601	634	207	212
Depreciation and amortization	54	51	18	17
Other operating expenses	320	312	107	96
Special items	24	8	2	2
Result of operating activities	**41**	**35**	**20**	**30**
Financial income	7	5	3	2
Financial expenses	49	47	15	15
Financial result	**−42**	**−42**	**−12**	**−13**
Net result before taxes	**0**	**−7**	**8**	**17**
Taxes on income	6	3	1	−1
Net result after taxes	**−7**	**−10**	**7**	**18**
Basic earnings per share according to IAS 33 (in € per share)	**−0.03**	**−0.04**	**0.02**	**0.07**
Diluted earnings per share according to IAS 33 (in € per share)	**−0.03**	**−0.04**	**0.02**	**0.07**

Interim consolidated statement of financial position as of December 31, 2016

Assets

Figures in € millions	31-Mar-2016	**31-Dec-2016**
Non-current assets		
Intangible assets	222	235
Property, plant and equipment	478	467
Investment property	11	11
Financial assets	13	14
Receivables from sales financing	34	29
Other receivables and other assets	18	33
Deferred tax assets	85	91
	861	880
Current assets		
Inventories	607	727
Receivables from sales financing	31	27
Trade receivables	361	299
Other receivables and other assets	113	82
Income tax assets	8	8
Cash and cash equivalents	215	131
	1,335	1,274
Assets held for sale	6	1
Total assets	**2,202**	**2,155**

Equity and liabilities

Figures in € millions	31-Mar-2016	**31-Dec-2016**
Equity		
Issued capital	659	659
Capital reserves, retained earnings and other reserves	– 400	– 403
Net result after taxes	28	– 10
	287	246
Non-current liabilities		
Provisions for pensions and similar obligations	534	538
Other provisions	162	192
Financial liabilities	453	319
Other liabilities	34	38
Deferred tax liabilities	3	2
	1,186	1,089
Current liabilities		
Other provisions	234	194
Financial liabilities	43	93
Trade payables	179	212
Income tax liabilities	2	1
Other liabilities	271	320
	729	820
Total equity and liabilities	**2,202**	**2,155**

Interim consolidated statement of cash flows as of December 31, 2016

Figures in € millions	1-Apr-2015 to 31-Dec-2015	**1-Apr-2016 to 31-Dec-2016**
Net result after taxes	–7	–10
Depreciation, amortization, write-downs and write-ups [1]	55	54
Change in pension provisions	1	8
Change in deferred tax assets/deferred tax liabilities/tax provisions	–5	–4
Result from disposals	1	2
Cash flow	**45**	**50**
Change in inventories	–25	–115
Change in sales financing	12	10
Change in trade receivables/payables	68	100
Change in other provisions	–54	–52
Change in other items of the statement of financial position	–43	61
Other operating changes	**–42**	**4**
Cash generated by operating activities	**3**	**54**
Intangible assets/property, plant and equipment/investment property		
Investments	–38	–68
Income from disposals	6	14
Financial assets/company acquisitions		
Investments	–8	0
Income from disposals	0	–
Cash investment	–	–10
Cash used in investing activities	**–40**	**–64**
Change in financial liabilities	–38	–76
Cash used in financing activities	**–38**	**–76**
Net change in cash and cash equivalents	**–75**	**–86**
Cash and cash equivalents at the beginning of the reporting period	**286**	**215**
Changes in the scope of consolidation	1	–
Currency adjustments	–7	2
Net change in cash and cash equivalents	–75	–86
Cash and cash equivalents at the end of the reporting period	**205**	**131**
Cash generated by operating activities	3	54
Cash used in investing activities	–40	–64
Free cash flow	**–37**	**–10**

[1] Relates to intangible assets, property, plant and equipment, investment property and financial assets

Financial calendar 2016/2017

June 8, 2017	Press Conference, Annual Analysts' and Investors' Conference
July 27, 2017	Annual General Meeting
August 10, 2017	Publication of First Quarter Figures 2017/2018

Subject to change.

This report was published on February 9, 2017.

Important note
This interim statement contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the management is of the opinion that these assumptions and estimates are accurate, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the overall economic situation, exchange and interest rates, and changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future development and results deviating from the assumptions and estimates made in this interim announcement. Heidelberg neither intends nor assumes any obligation to update the assumptions and estimates made in this interim announcement to reflect events or developments occurring after the publication of this interim announcement.

In individual cases, rounding could result in discrepancies concerning the totals and percentages contained in this interim announcement.

This report is a non-binding English convenience translation of the German interim statement of Heidelberger Druckmaschinen Aktiengesellschaft. The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.

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